Dechert Layoffs: First-Year Associates Amongst Those Let Go

Summary: Recently, Dechert has laid off associates, prompting some in the industry to wonder if more layoffs are to come.

This week, Dechert laid off almost a dozen associates after bad performance reviews, and the legal industry is buzzing about what this move signals for the future.

According to *Above the Law,* 11 or 12 associates were reportedly let go in Dechert's offices in New York, Philadelphia, and Los Angeles this week after their performance reviews. This number included first-year associates, who typically are immune to layoffs. Dechert tipsters told the publication that those who were let go were laid off because they had a low number of hours, not because they were bad at their jobs.

Established in 1875, Dechert LLP is a heavy hitter in the industry, with 26 offices and over 900 attorneys on staff, according to Lawcrossing. The firm serves clients in a wide range of specialties, from banking, taxation, and antitrust to intellectual property, biotechnology, litigation, and employment law.

Dechert's layoff comes after a similar one from Seyfarth Shaw, and the actions of the Am Law 100 firms seem to confirm a prediction from *The American Lawyer* that there could be trouble for the industry in the future.

“As clients continue to give more legal work to in-house legal teams and other legal service providers, and the gap in revenue at different ends of the Am Law 100 deepens, those in the second half of the ranking find themselves at a crossroads,” said Gina Passarella, Executive Editor of The American Lawyer. “If they want to grow revenue and remain profitable in today’s highly volatile and uncertain industry, they may have to change course. That could mean focusing on the core practice areas that differentiate them, and altering their staffing and compensation models so their firms can efficiently operate at optimal capacity.”

One laid off first-year associate told *Above The Law* that he or she was dismissed because their hours were so low because there was not enough work to do. This admission has raised eyebrows for those watching the legal industry because it seems to confirm that the industry is slowing.

"[The layoff decisions] were based on performance and potential, but this was absolutely a layoff due to lack of work, not due to underperformance," a tipster told *Above the Law*. "There are a few more axes set to fall later this summer on the corporate side. Not sure if litigation is in the same boat."

The tipster added that Dechert had hired too many first-years that were paid salaries of $180,000 each, and that there was a crop of them still at the firm with nothing to do.

The increase in associate pay may be one reason that BigLaw firms are looking at their bottom lines and cutting those on the payroll. In April, *JD Journal* analyzed the long-term downside to law firms following last year's Cravath pay scale increase. Previously, first-year attorneys were paid $160,000 at major firms, but Cravath Swaine & Moore changed the game when they announced that they would begin paying on a sliding scale that started at $180,000. In the short-term, the move was celebrated by associates who had long asked for more pay to compensate the insane amount of hours they were forced to bill, but ultimately, this raise has led firms to search for more funds in an already struggling legal market.

"In years past, many corporate clients would pay expensive law firm bills without much scrutiny, but that has now changed. Today, corporate clients are more cost-conscious than ever. They pay close attention to law firm bills and are far less tolerant of lavish expenditures. They balk at the idea that they (the client) should have to “foot the bill” to train a junior associate, even if that associate attended the best law school in the country," *JD Journal* wrote. "Moreover, many corporate clients are no longer loyal to one or a few law firms. Instead, they shop their matters and cases around to different firms and decide which firm to hire based in large part on which firm is giving them a discount and agreeing to keep costs down."

"So, where is the money going to come from to pay the increased associate salaries? It is not going to come from corporate clients. It is also not going to come out of the pockets of the few partners at the few firms that are considered so indispensable they can command the highest profits-per-partner," *JD Journal* continued. "Instead, the money is going to come from the middle zone in which the majority of BigLaw attorneys operate. Firms might lay off associates or even engage in a mass layoff. They might reduce the number of non-equity partners or counsel-level positions, or reduce the compensation of non-equity partners or counsels. They might even reduce the profits of less-important partners or shrink the size of the partnership altogether, so fewer (more important) partners can keep the same level of profits as before."

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Do you think more layoffs will happen at other BigLaw firms? Let us know in the comments below.